Consolidated Financial Statements of

NORTH PORTAGE DEVELOPMENT CORPORATION
(Operating as The Forks North Portage Partnership)

March 31, 1999

Deloitte & Touche

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AUDITORS' REPORT

To the Shareholders of
North Portage Development Corporation
(Operating as The Forks North Portage Partnership)

We have audited the consolidated balance sheet of North Portage Development Corporation (Operating as The Forks North Portage Partnership) as at March 31, 1999 and the consolidated statements of operations, shareholders' equity and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
June 4, 1999

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NORTH PORTAGE DEVELOPMENT CORPORATION
(Operating as The Forks North Portage Partnership)
Consolidated Statement of Operations
Year Ended March 31, 1999

	1999	1998
REVENUE		
Rental income	$ 1,235,498	$ 3,734,135
Parking income	2,658,528	2,606,842
Theatre income	1,378,481	1,283,233
Forks Market	1,462,096	1,336,634
Lease income	1,327,899	1,223,493
Miscellaneous income	84,288	113,281
	8,146,790	10,297,618
EXPENSES		
General and administration	951,253	1,041,041
Rental expenses	854,307	2,285,917
Theatre expenses	1,375,080	1,413,722
Forks Market	1,500,699	1,438,487
Parking expenses	1,438,202	1,137,458
Interest	234,932	1,153,345
Program expenses	353,800	257,882
Public amenities	460,285	503,152
Planning and development	136,601	189,837
	7,305,159	9,420,841
OPERATING INCOME BEFORE THE FOLLOWING	841,631	876,777
INTEREST INCOME	556,155	386,936
INCOME BEFORE DEPRECIATION, AMORTIZATION AND EQUIVALENCY REVENUE	1,397,786	1,263,713
DEPRECIATION AND AMORTIZATION	(3,093,105)	(4,070,756)
LOSS BEFORE EQUIVALENCY REVENUE AND RECOVERY OF PRIOR YEARS' EXPENSES	(1,695,319)	(2,807,043)
RECOVERY OF PRIOR YEARS' EXPENSES (Note 16)	-	254,518
LOSS BEFORE EQUIVALENCY REVENUE	(1,695,319)	(2,552,525)
EQUIVALENCY REVENUE (Note 2)		
Interest	255,782	109,035
Principal	114,334	81,222
	370,116	190,257
LOSS BEFORE THE FOLLOWING	(1,325,203)	(2,362,268)
GAIN ON SALE OF CITYSCAPE RESIDENCE CORPORATION (Note 1)		
- related to sale of net assets	2,095,457	-
- related to infrastructure enhancement	2,077,000	-
NET INCOME (LOSS) FOR THE YEAR	$ 2,847,254	$ (2,362,268)

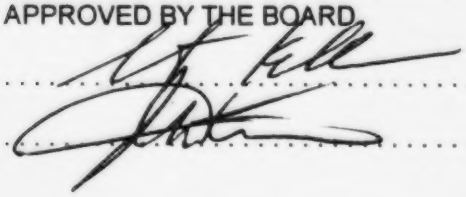
NORTH PORTAGE DEVELOPMENT CORPORATION
(Operating as The Forks North Portage Partnership)
Consolidated Statement of Shareholders' Equity
Year Ended March 31, 1999

	1999	1998
DEFICIT, BEGINNING OF YEAR	**$ (16,218,559)**	$ (13,856,291)
NET INCOME (LOSS) FOR THE YEAR	**2,847,254**	(2,362,268)
DEFICIT, END OF YEAR	**(13,371,305)**	(16,218,559)
CONTRIBUTED SURPLUS	**74,899,997**	74,899,997
CAPITAL FUNDING	**29,432,167**	28,355,688
DONATED LAND (Note 9)	**8,000,000**	8,000,000
NET EQUITY	**$ 98,960,859**	$ 95,037,126

NORTH PORTAGE DEVELOPMENT CORPORATION
(Operating as The Forks North Portage Partnership)
Consolidated Balance Sheet
March 31, 1999

	1999	1998
ASSETS		
CURRENT		
Cash and short-term investments	$ 5,769,558	$ 5,618,807
Accrued investment income	130,897	96,182
Accounts receivable	784,670	1,032,579
Current portion of equivalency funding receivable	812,824	1,043,114
Prepaid expenses	154,156	99,973
Inventory	33,807	30,945
Cash - designated for unsettled land expropriation claims (Note 6)	5,000,000	5,000,000
	12,685,912	12,921,600
EQUIVALENCY FUNDING RECEIVABLE	1,253,727	2,066,551
LONG-TERM TENANT RECEIVABLES	170,771	165,342
FIXED ASSETS (Note 4)	2,539,912	22,108,588
INVESTMENT IN PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS(Note 5)	93,586,293	92,203,681
DEFERRED COSTS (Note 10)	-	33,288
CONTINGENCY FUND AND FILM FUND (Note 12)	22,934	82,203
	$ 110,259,549	$ 129,581,253
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 1,888,215	$ 2,388,087
Accrual for unsettled land expropriation claims (Note 6)	5,000,000	5,000,000
Current portion of deferred revenue	812,824	1,043,114
Current portion of mortgages payable (Note 11)	-	160,314
Current portion of prepaid land rents	7,917	7,917
	7,708,956	8,599,432
MORTGAGES PAYABLE (Note 11)	-	21,474,951
PREPAID LAND RENTS	601,434	609,352
LOAN PAYABLE (Note 2)	1,711,636	1,711,635
DEFERRED REVENUE - EQUIVALENCY FUNDING	1,253,727	2,066,551
CONTINGENCY FUND AND FILM FUND (Note 12)	22,934	82,203
	11,298,687	34,544,124
SHAREHOLDERS' EQUITY		
Share capital		
Authorized - Unlimited number of common shares		
Issued - 3 Common shares	3	3
Net equity	98,960,859	95,037,126
	98,960,862	95,037,129
	$ 110,259,549	$ 129,581,253

APPROVED BY THE BOARD



..... Director

..... Director

NORTH PORTAGE DEVELOPMENT CORPORATION
(Operating as The Forks North Portage Partnership)
Statement of Changes in Financial Position
Year Ended March 31, 1999

	1999	1998
OPERATING ACTIVITIES		
Net income (loss) for the year	$ 2,847,254	$ (2,362,268)
Items not affecting cash		
Gain on sale of Cityscape Residence Corporation		
- related to sale of net assets	(2,095,457)	-
- related to infrastructure enhancement	(2,077,000)	-
Depreciation and amortization	3,093,105	4,070,756
Equivalency revenue	(370,116)	(190,257)
Loss on disposal of fixed assets	92	8,032
	1,397,878	1,526,263
Changes in non-cash operating working capital items		
Accrued investment income	(34,715)	16,422
Accounts receivable	247,909	(44,303)
Prepaid expenses	(54,183)	(14,847)
Inventory	(2,862)	(854)
Accounts payable and accrued liabilities	(499,872)	(898,307)
Accrual for future expropriation costs	-	500,000
	1,054,155	1,084,374
FINANCING ACTIVITIES		
Mortgage payments	(21,635,265)	(150,244)
Equivalency funding	1,043,114	1,023,407
Infrastructure funding	403,481	523,032
Prepaid land rents	(7,917)	43,194
Equivalency funding receivable	1,043,114	1,033,259
Deferred revenue equivalency funding	(1,043,114)	(1,033,259)
	(20,196,587)	1,439,389
INVESTING ACTIVITIES		
Fixed asset additions	(815,188)	(265,632)
North Portage properties and infrastructure enhancements	(638,571)	(957,465)
Forks infrastructure enhancements	(1,076,479)	(1,356,182)
The Forks Market	(141,273)	(80,556)
Long-term tenant receivables	(5,429)	(424)
Contingency fund and Film fund	(59,269)	32,808
Proceeds on sale of net assets (Note 1)	21,970,123	-
	19,233,914	(2,627,451)
NET INCREASE (DECREASE) IN CASH POSITION	91,482	(103,688)
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	10,701,010	10,804,698
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	$ 10,792,492	10,701,010
Cash and short-term investments are comprised of:		
Cash and short term investments	$ 5,769,558	$ 5,618,807
Cash - designated for future expropriation costs	5,000,000	5,000,000
Contingency fund and Film fund	22,934	82,203
	$ 10,792,492	$ 10,701,010

1. BASIS OF PRESENTATION

The Corporation has accounted for the investment in its subsidiary corporations North Portage Theatre Corporation (NPTC), Cityscape Residence Corporation (CRC) and The Forks Renewal Corporation (FRC) on the following basis:

The financial statements of these wholly-owned subsidiary corporations have been consolidated with the Corporation's financial statements.

Inter-corporate accounts and transactions between the consolidated corporations have been eliminated in consolidation.

During the year, the Corporation sold its shares in CRC for a net gain of $2,095,457. Furthermore, the Corporation increased net income for the year by $2,077,000 related to the amortized value of amounts previously loaned by the Corporation to CRC to build the lower level parking structure at Place Promenade, but forgiven as part of the sale agreement. The same amount has been capitalized to infrastructure enhancements as it is expected that the parking structure will continue to generate income for the Corporation.

2. NATURE OF BUSINESS

North Portage Development Corporation

The Corporation was incorporated on December 13, 1983 under the laws of Manitoba as a community development corporation and commenced operations on that date. Pursuant to Section 149(1)(d) of the Income Tax Act of Canada, the Corporation is exempt from income taxes.

The objective of the Corporation is to provide a mechanism for implementing the redevelopment of the North Portage area. The Corporation shall implement this redevelopment through a combination of investments by the Corporation, the private sector, institutions and governments.

The Corporation is owned equally by the following shareholders: The Government of Canada, the Province of Manitoba and the City of Winnipeg. The shareholders have provided resources as follows:

From the Government of Canada's Special Capital Recovery Projects Program	$ 22,000,000
From the Province of Manitoba	22,000,000
From the City of Winnipeg	22,000,000
From Program 7 of the Core Area Initiative	5,000,000
	$ 71,000,000

2. NATURE OF BUSINESS (continued)

The Forks Renewal Corporation

The Forks Renewal Corporation (FRC) was incorporated on July 24, 1987 under the laws of Manitoba and commenced operations July 29, 1987. The objective of the Corporation is to provide a mechanism for implementing the redevelopment of the former CN East Yards area. The Corporation shall implement this redevelopment through a combination of investments by the Corporation, the private sector, institutions and governments. The Corporation is exempt from income tax.

These financial statements have been prepared on the assumption that FRC is a going concern, will continue to operate for the foreseeable future and will realize its assets and discharge its liabilities in the normal course of operations.

The ability of the FRC to continue as a going concern is dependent on its achieving and maintaining profitable operations and/or, if profitable operations are not achieved, financial support from its shareholder, NPDC. Should the FRC not be able to realize on its assets and discharge its liabilities in the normal course of operations, the accounting basis of such assets and liabilities may be substantially different from the amounts shown in these financial statements.

The balance of equivalency funding which remains to be received at March 31, 1999 from The City of Winnipeg is as follows:

Year Ended March 31	Total
2000	$ 812,824
2001	832,533
2002	421,194

2. NATURE OF BUSINESS (continued)

The Forks Renewal Corporation has received its funding from the following sources:

	1999 (Cumulative)	1998 (Cumulative)
Winnipeg Core Area Initiative - I Program 8.2	$ 657,000	$ 657,000
Winnipeg Core Area Initiative - II		
Program 3	20,000,000	20,000,000
Program 5.7	5,000,000	5,000,000
The Canada-Manitoba Tourism Development Agreement	1,250,000	1,250,000
The Western Diversification Program	1,711,000	1,711,000
Equivalency contribution - Canada	4,000,000	4,000,000
Equivalency contribution - Province of Manitoba		
Principal	3,882,670	3,670,170
Interest	1,117,330	1,080,026
Equivalency contribution - City of Winnipeg		
Principal	2,257,157	1,685,326
Interest	2,413,238	2,191,760
Winnipeg Core Area Initiative - Public Amenity	931,000	931,000
Canada - Manitoba Infrastructure Works Program	1,196,546	793,064
Province of Manitoba WDA Prog.12A Riverbank Development	363,268	363,268
The City of Winnipeg WDA Prog.12A Riverbank Development	159,764	159,764
	$ 44,938,973	$ 43,492,378

The funding has been allocated as follows:

	1999	1998
Capital funding	$ 29,432,167	$ 28,355,688
Applied to operations	15,506,806	15,136,690
	$ 44,938,973	$ 43,492,378

The equivalency equity has been allocated as follows:

	1999	1998
Balance, beginning of year	$ -	$ -
Equivalency funding received	1,043,114	1,023,407
Equivalency funding applied to:		
Operations	(370,116)	(190,257)
Capital	(672,998)	(833,150)
Balance, end of year	$ -	$ -

2. NATURE OF BUSINESS (continued)

North Portage Theatre Corporation

The objective of the NPTC is to own and operate an IMAX movie theatre within the Portage Place Retail Complex and the marketing of its own Manitoba film which is an integral part of the theatre.

Funding of NPTC was provided as follows:

Repayable loans	
North Portage Development Corporation	$ 1,800,000
Manitoba Development Corporation	1,800,000
	3,600,000
Grants	
Destination Manitoba and the Canada-Manitoba (1985) Tourism Development Agreement	3,900,000
	$ 7,500,000

The repayable loans are non-interest bearing until demand at which time they will bear interest at 10% per annum. NPTC is required to make principal payments annually to each lender equal to 33-1/3% of net income of the IMAX Theatre at Portage Place and film rental revenue.

The loans payable by NPTC to North Portage Development Corporation have been eliminated in consolidation. To date, the loan payable to Manitoba Development Corporation may be summarized as follows:

	1999	1998
Original amount	$ 1,800,000	$ 1,800,000
Principal payments	88,365	88,365
Balance, March 31	$ 1,711,635	$ 1,711,635

At March 31, 1999 no demand has been made.

Effective October 1, 1998, the Operating Agreement with Manitou Theatre Management Limited and IMAX Systems Corporation that outlined the management of the theatre was terminated, and the operations of the theatre were transferred to 3898211 Manitoba Ltd., which was incorporated on September 16, 1998 as a wholly-owned subsidiary of NPTC.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Fixed assets

Fixed assets are recorded at cost and depreciation is charged against operations in amounts sufficient to amortize the cost of fixed assets over their estimated useful lives at the following rates:

Office equipment	- declining-balance basis at 20% per year
Computers	- declining-balance basis at 30% per year
Parking equipment	- declining-balance basis at 30% per year
Theatre facilities	- straight-line basis over 20 years
Projection equipment	- straight-line basis over 5 years
Pavilion furniture	- declining-balance basis at 20% per year
Plaza improvements	- declining-balance basis at 30% per year

b) Leasehold improvements

Leasehold improvements are recorded at cost and amortization is charged against revenue on a straight-line basis over periods from 3 to 10 years.

c) Other costs and amortization

The Corporation records deferred costs and capital costs at cost and charges amortization against operations on a straight-line basis over the following periods:

Deferred development costs	- 10 years
Site servicing costs and infrastructure enhancements	- 10 years/20 years/40 years
Land carrying costs and development projects	- 10 years
Manitoba film production	- 5 years
Equipment costs	- 10 years

Leasehold improvements are amortized over periods ranging from three to ten years.

The Forks Market (Note 8) is being depreciated and amortized as follows:

Building costs are being depreciated on a straight-line basis over a period of 40 years.

Furniture and equipment is depreciated at 20% - 30% using the declining-balance method.

Tenant allowances and pre-opening costs are amortized on the straight-line basis over a period of 5 years.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Donated land

Donated land is recorded at fair market value as approved by the Board of Directors of FRC on June 5, 1989.

e) Equivalency funding

Equivalency funding is to be provided pursuant to the September 4, 1987 agreement between Canada, Manitoba and Winnipeg and is to be used to sustain the Forks Renewal Corporation's operations until it is financially self-sufficient.

Manitoba has agreed to make annual equivalency payments, subject to funds being made available by the Legislative Assembly of Manitoba. Seven payments totalling $5,000,000 have been received. Winnipeg has agreed to make equivalency payments at a present value of $4,000,000 over a ten year period. This amount has been reduced by $800,000 to reflect the City of Winnipeg's capital contribution toward the Manitoba Children's Museum. To March 31, 1999, $4,670,395 including interest has been received by the Corporation.

f) Land rents

Land rents for land leases that are considered to be operating leases are recognized in income as earned. Land rents received in advance are recorded as prepaid land rents and are recognized in income over the term of the related lease of 75 to 99 years.

g) Recording of contributions

FRC records contributions as follows:

i) Contributions utilized for capital costs relating to the redevelopment, The Forks Market and deferred development costs are recognized as capital funding and recorded as part of the Corporation's equity.

ii) Contributions required to fund net operating costs and fixed asset additions are reflected as revenue in the year these costs are incurred.

iii) Contributions received under the Participation Agreement were originally recorded in shareholder's equity as Equivalency Funding. These contributions were reflected as revenue in an annual amount equal to net operating costs in excess of other revenue recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Interest on equivalency funding

In accordance with the contribution agreements, The Province of Manitoba and The City of Winnipeg have agreed to make equivalency payments equal to a present value of $4,000,000 each over a five year period and ten year period respectively. The interest component of these payments is recognized as income as it is earned.

i) Interest rate risk

The financial risk is the risk to the company's earnings that arises from fluctuations in interest rates, and the degree of volatility of these rates. The company does not use derivative instruments to reduce its exposure to interest risk.

4. FIXED ASSETS

	1999			1998
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Net Book Value
Place Promenade building, equipment and leasehold improvements	$ -	$ -	$ -	$ 20,041,569
Theatre facilities	3,200,000	1,760,000	1,440,000	1,600,000
Projection equipment	61,758	4,444	57,314	-
Parking equipment	1,283,239	553,721	729,518	169,089
Office equipment	233,543	131,824	101,719	86,908
Plaza and pavilion equipment	274,348	154,850	119,498	105,440
Leasehold improvements	59,542	42,750	16,792	24,289
Computers	187,099	112,028	75,071	81,293
	$ 5,299,529	$ 2,759,617	$ 2,539,912	$22,108,588

5. INVESTMENT IN PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS

	1999	1998
North Portage Properties and infrastructure enhancements (Note 6)	$ 66,820,439	$ 65,352,320
Forks infrastructure enhancements (Note 7)	13,227,044	13,171,574
The Forks Market (Note 8)	5,538,810	5,679,787
Forks donated land (Note 9)	8,000,000	8,000,000
	$ 93,586,293	$ 92,203,681

6. NORTH PORTAGE PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS

The investment in the North Portage properties is comprised of the following:

	1999			1998
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land assembly and demolition	$39,125,646	$ -	$39,125,646	$38,695,146
Land carrying costs	572,244	572,244	-	-
Site servicing	7,419,859	4,172,692	3,247,167	3,618,179
Development projects	3,856,226	1,862,131	1,994,095	1,952,910
Infrastructure enhancements	30,531,279	8,077,748	22,453,531	21,086,085
	$81,505,254	$14,684,815	$66,820,439	$65,352,320

Certain properties within the boundary defined for redevelopment have been expropriated by the Province of Manitoba pursuant to the Corporation's Unanimous Shareholders' Agreement. The Province of Manitoba, as the expropriating authority, has made advances and final settlements with the owners and tenants of certain expropriated properties as compensation for the acquisition of land and has incurred various related costs to date amounting to $33,695,146, and has accrued an additional $5,000,000 for unsettled land expropriation claims. These amounts are included in land assembly and demolition costs.

7. FORKS INFRASTRUCTURE ENHANCEMENTS

Infrastructure enhancements are classified as follows:

	1999			1998
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Clearing and relocation (net)	$ 2,257,333	$ -	$ 2,257,333	$ 2,257,333
Land carrying costs	1,770,425	1,536,439	233,986	384,791
Site servicing	10,024,641	4,631,560	5,393,081	5,750,688
Development projects	566,493	502,915	63,578	112,943
Infrastructure enhancements	7,388,737	2,109,671	5,279,066	4,665,819
	$22,007,629	$ 8,780,585	$13,227,044	$13,171,574

8. THE FORKS MARKET

The Forks Market includes the following assets as at March 31, 1999:

	1999			1998
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Fixed				
Building	$ 7,130,195	$ 1,772,079	$ 5,358,116	$ 5,521,308
Furniture and equipment	380,690	236,440	144,250	108,496
	7,510,885	2,008,519	5,502,366	5,629,804
Tenant allowances and pre-opening costs	2,100,262	2,063,818	36,444	49,983
	$ 9,611,147	$ 4,072,337	$ 5,538,810	$ 5,679,787

The long-term tenant receivables shown separately on the balance sheet in the amount of $170,771 (net) (1998 - $165,342) also pertain to leases at The Forks Market. In addition, included in accounts receivable is the current portion of long-term tenant receivables in the amount of $45,151 (1998 - $73,358).

9. FORKS DONATED LAND

FRC acquired title and possession to 55.9 acres of land donated by the Government of Canada, the Province of Manitoba and the City of Winnipeg as follows:

From Canada	From Winnipeg	From Core Area Initiative	Total
49.6 acres	3.3 acres	3.0 acres	55.9

These lands were acquired pursuant to the Land Exchange Agreement. Donated land is recorded at fair market value as approved by the Board of Directors on June 5, 1989.

During the 1992/93 fiscal year, Pioneer Blvd. and The Forks Market Road were dedicated as public rights-of-way to the City of Winnipeg thereby reducing the amount of lands under The Forks Renewal Corporation's ownership by approximately 3.8 acres.

10. DEFERRED COSTS

Deferred costs are comprised of the following:

	1999			1998
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Deferred development costs				
Preliminary planning	$ 771,043	$ 771,043	$ -	$ -
Development program	663,357	663,357	-	-
Corporate relations	385,483	385,483	-	-
Implementation	295,396	295,396	-	-
North Portage Theatre Corporation	176,336	176,336	-	-
Land arrangements	402,063	402,063	-	5,995
Public consultation and communication	357,630	357,630	-	11,181
Site planning	304,546	304,546	-	840
Heritage planning and consultation	83,611	83,611	-	3,596
Financial planning	221,974	221,974	-	8,716
Construction supervision and other	54,713	54,713	-	2,960
				33,288
Equipment costs	1,500,000	1,500,000	-	-
	$ 5,216,152	$ 5,216,152	$ -	$ 33,288

11. MORTGAGES PAYABLE

Mortgages are comprised of the following:

	1999	1998
Montrose Mortgage Corporation Ltd., 6.57% first mortgage, payable in monthly principal and interest payments of $96,223, due March 1999, security provided by leasehold title to Place Promenade	$ -	$ 15,417,670
Canada Mortgage and Housing Corporation - Workout second mortgage, which requires minimum annual payments for interest only (See Note 13)	-	2,617,595
Canada Rental Supply Program non-interest bearing third mortgage, payable in full January 2003, security provided by leasehold title to Place Promenade	-	3,600,000
	-	21,635,265
Less current portion	-	160,314
	$ -	$ 21,474,951

12. CONTINGENCY FUND AND FILM FUND

NPTC entered into an Operating Agreement with Manitou Theatre Management Limited and IMAX Systems Corporation and established a contingency fund to cover any losses incurred by theatre operations and a fund to be used for future film productions and theatre improvements. As described in Note 2, the Operating Agreement was terminated.

13. WORKOUT AGREEMENT

The Corporation has provided a guarantee for the amount of $2,617,595 advanced by CMHC to CRC. This guarantee expired at June 12, 1998 under the terms of the sale agreement described in Note 2.

14. LEASE COMMITMENTS

FRC has entered into a lease agreement that requires a minimum lease payment and operating costs of $78,000 per annum until June 30, 2003.

15. MAJOR AGREEMENTS

a) *One Canada Centre*
The Corporation has leased land to Investors Syndicate Property Corporation (Investors) and provided a non-interest bearing loan to fund the actual cost of constructing a parking structure which is operated by the Corporation.

The Corporation has the option in 2006 to sell the land to Investors at a price not to exceed $6 million. Investors has the option to buy the parking structure at its original cost, following the sale of the land.

b) *Office Computer Facility*
The Corporation has leased land to 2700760 Manitoba Limited (2700760) for the development of an office and computer facility which, in turn, has been leased to ISM Information Systems Management Manitoba Corporation (ISM).

The Corporation has the option within 105 days after the 15th anniversary of the opening date to sell the land to 2700760 for a price of $2.3 million.

2700760 has the option to purchase the land on any of the third, fifth, tenth, twelfth and fifteenth anniversaries of the opening date for a price which is the greater of $2.3 million and the fair market value at those times. In addition, ISM has the option to purchase the land and improvements from 2700760.

16. RECOVERY OF PRIOR YEARS' EXPENSES

The recovery of prior years' expenses represents refunds from the City of Winnipeg related to property tax reassessments.

17. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using the Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

18. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year's presentation.